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SURVEY EVIDENCE FOR INFLUENCE IN IMPROVEMENT ON TRADE FACILITATION AND ECONOMY GROWTH: THE CASE OF REPUBLIC OF MACEDONIA

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Abstract:

Implementation of law on customs valuation rules for achieving improved application is providing greater uniformity and reliability in this application. Our focus is Macedonia, in mean that needs to implement a fair, uniform and impartial system for determining the value of goods for the customs clearance, will prevent the application of arbitrary or fictitious customs values.

In this context, considering the provisions which are implemented in the Republic of Macedonia, and analyzing its relationships beyond the field of trade and economy, further its should be aimed at raising the general standard of living, ensuring full employment and and steadily growing volume of real income as effective demand too. The purpose of this paper is to contribute with a research all these things how to be applied correctly, for better managing trade flows according globalization. Trade facilitation is a challenge for the Republic of Macedonia in terms of development and full use of world resources and increasing production as exchange of goods. If the Republic of Macedonia has a tendency to enter into mutually advantageous agreements, it will be vital to substantially reduce the tariffs and other barriers to trade. The research serves to confirm that introduction of trade facilitation measures is necessary for assisting Macedonian companies to compete more effectively in the international marketplace.

Key words:

Customs valuation, Trade facilitation, Economic development, Macedonia

1. INTRODUCTION

Liberalization of trade implies a gradual reduction or elimination of barriers associated with the movement of goods, including tariff and non-tariff measures to promote trade flows of capital, goods and services, technologies and human resources. Today in a world where national economies were relatively

autonomous entities, isolated one from each other by border barriers in trade and investment, with distance in time zones, different languages, national differences in government regulations, cultural and business environment - is a past.

The trend of globalization means globalizing markets and products. Globalization of markets relates to overcoming historical distinctiveness and separate national markets as creating a huge global market (Biljanoska, 2003). Differences remain between national markets in parallel with some relevant dimensions, including preferences and tastes of consumers, distribution channels built cultural value systems, business systems and legislation. Globalization of production concerns the creation of products and services from locations around the globe, utilizing the advantages of national differences, especially in price and quality and utilization of factors of production (human resources, energy, land and capital) (Duval, 2006).

Markets are becoming more open and internally linked. Competition is increasingly transcending national boundaries and penetrates deeply into national markets. The process of trade and investment liberalization to a certain extent, the emphasis shifts from trade restrictions by national governments to competitive constraints by private firms as barriers to international trade or investment flows (Djankov et al, 2007). So, trade liberalization involves establishing a link between business, governments and international organizations. In this respect, development of business incubation process is very important. Business incubation means an interactive process between the functional utility and benefits of research and design, production and marketing. Namely, governments towards liberalization process usually approach in accordance with some major criteria:

- level of development
- strategic direction
- international status
- priority rating
- acceptance of the rules
- diversity tolerance
- industrial competitiveness
- ideological separate mission.

In addition to government agencies and international organizations, those have their own business agenda which include (Hausmann et al, 2005).:

- transparency in the performance of investment markets
- harmonization of standards
- links between market goods, services, information and human resources
- resolve transboundary disputes
- standardized procedures
- input sense of security in the community.

Yet, in turn, this will create a stable business environment that will contribute for successful business ventures. Therefore, all the interests of businesses, governments and international organizations need to comply. The challenge is to maximize the interests that coincide with negotiations for trade liberalization

(Raven, 2001).

2. LITERATURE REVIEW

Recent quantitative studies on trade facilitation continue to show its importance. Using a probit model, Hummels (2001) estimates that each day saved in shipping time, in part due to faster customs clearance, is equivalent to about 0.5 percentage point reduction in ad valorem tariffs. Fox et al, (2003), observes that a 1 percent reduction in the cost of maritime and air transport services in developing countries could increase global GDP by some US\$ 7 billion. Fink, Mattoo and Neagu (2002), using probit models, observe that a 10 percent decrease in the bilateral price of phone calls is associated with an 8 percent increase in bilateral trade. Using a more comprehensive measure of trade facilitation (including indicators of port efficiency, customs environment, regulatory environment, and service sector) in a gravity model, Wilson et al. (2004) observe a \$377 billion increase in global trade of manufacturing goods arising from improvements in trade facilitation. Furthermore they find that the response of exports to unilateral improvements in trade facilitation exceeds that of imports. All the above studies use partial equilibrium techniques and are somewhat limited in providing estimates of the welfare impacts of trade facilitation.

3. SNAPSHOT ON MACEDONIAN EXPERIENCE IN IMPLEMENTATION OF MODERN TRADE PROCEDURES

Macedonia has successfully implemented the modernization of trade procedures, through the implementation of telecommunications and information technology.

Experiences from other advanced countries in the area of trade facilitation may serve as examples to modernize the operations of commercial firms and meet the dynamic needs of the 21st century. In Macedonia, has already taken the first steps in adopting the processing of data in electronic form and electronic signature. On 21.10.2008 the Decree was adopted to establish a way to use the information system for processing data in electronic form and electronic signature for imports, exports and transit of goods. This Decree regulates the establishment, method of use, registration and operation of information system for processing data in electronic form, and the use of electronic signature for import, export and transit of goods.

Especially important is creating a trade network that provides electronic data exchange between stakeholders and accelerate the processing of the large number of trade documents. The network of stakeholders include: government agencies, state authority, private organizations, banks and Internet agency. The system works with all stakeholders that are involved in international trade, including customs administration, ministries, agencies, technical control, the central bank, private traders, brokers, forwarding, customs brokers and banks. In Macedonia adjustments to the customs computer system

provides support for internal and standard documents, which are automatically processed (this includes declarations). These changes reduce personal contact between customs staff and declarants, the accelerated allowances, help for transparent and consistent processing of trade declarations and eliminate routine checks, and make possible the "risk" management by managing the available data declarations.

Macedonia must improve its trade logistics to fit into the global trade and, of course, to feel the uses of globalization. When the integration of global supply chains will achieve a satisfactory level, then it will confirm the ability of firms to intensify the processes of trade across borders. So far, some progress has been made in telecommunications and information technology, but logistics needs to match the requirements for quality physical infrastructure in Macedonia. Modernizing the customs service, with the coordination of border procedures between it and other agencies remains inadequate logistical needs which are increasingly determined by the availability, quality and competitiveness of private services (transportation, customs brokerage and warehousing). Macedonia, in this context should focus on improving road infrastructure and information technology in customs, and reforms the logistical services market to reduce errors in public agencies, as active stakeholders in border control. It requires an integrated and comprehensive approach to reform in the supply chain.

Trade facilitation in the context of the World Customs Organization (WCO) means avoiding unnecessary trade restrictions. This can be achieved by applying modern techniques and technology, by improving quality control and acceptance of internationally harmonized way of clearance. The mission of the WCO is to improve efficiency and effectiveness of customs administration, through simplification and harmonization of customs procedures. R. Macedonia needs to be admirers of the conventions, standards and programs. Here are thinking of providing technical assistance and capacity building support. Through these instruments and activities, the Customs Administration of Republic of Macedonia (CARM) will be able to offer appropriate stakeholders trade incentives, combined with effective controls.

Linking Macedonia and other countries must be realized due to competitive match, which should be a challenge. If Republic of Macedonia manages to increase the participation in global production, there will be a powerful strategic resource for achieving competitive advantage. To intensify the relief and to ensure security in these regulatory trends and impacts, should be considered permanent use of intensive technological change. So necessary information for managing international transactions from product origin to destination should be generated, shared, recorded and processed (Zikov A. & Kikerkova I., 2000). The business involves group and quickly go. Therefore Macedonian customs has no choice but to intensify its trade and make permanent improvements in customs techniques to exploit the benefits of modernization.

All these observations imply a need to create the basis for a radical and complete international harmonization and simplification of border control systems (Satapathy, 2001).

4. IMPLEMENTATION OF SINGLE WINDOW AND IMPORTANCE OF REFORMS FOR

MACEDONIAN COMPANIES

In Macedonia began the process of improving the services of Customs and reducing barriers to trade and transport, through reconstruction of Customs Service. Thus, there is a modernization of customs law and procedures. In close cooperation with the EU, the International Monetary Fund and World Bank have already undertaken a series of steps to improve customs legislation, procedures and documentation. Customs Administration in Republic of Macedonia has introduced the application of the Single Administrative Document (SAD). It was introduced and linked with international standards, and also consolidated various categories of activities. Customs Administration in Republic of Macedonia has undertaken various activities to strengthen the administrative capacity and the further harmonization of legislation. As the most significant change separates the electronic one-stop shop for issuing licenses for import, export quotas - (Single Window / One Stop Shop for Licences for Import, Export and Transit of Goods and Tariff Quotas) – EXIM.

Single window system for import, export and transit of goods and tariff quotas - EXIM, in fact, is an electronic system used by 16 institutions that have responsibilities in the field of trade operations abroad. EXIM provides search by the heading of the goods and getting information on what permits are required for import, export or transit. Through the "quotas" under the "prescribed amount of tariff quotas," the business community can be informed which tariff quotas and which countries are available for distribution. EXIM enables electronic submission of applications for permission to import, export and transit of goods from the business community, as well as electronic licensing by the competent institutions. Through this system, in fact, applicants can monitor the status of processing their requests, and their final release. Through EXIM, importers have the opportunity for electronic submission of applications for allocation of tariff quotas available under the trade agreements concluded by the Republic of Macedonia. The tariff quotas on a daily basis, are allocated according to the principle "first come - first served". With the implementation of EXIM, the benefits are greater as availability of service is 24 hours, 7 days a week, savings of time and costs for companies that use electronic filing requirements, increasing efficiency of the process for issuing permits; standardized and harmonized future data requirements to allow more extensive exchange of data, electronic monitoring for using permits and filing requirements, that is transparent electronic distribution of tariff quotas (Biljanoska, 2009). Further harmonization of national legislation with European Union legislation requires the adoption of the amendments of the Stabilization and Association Agreement between the Republic and the European Union and its Member States. These changes impose special requirements for creating conditions for introducing accumulation of the Stabilization and Association Process (SAP + - Stabilization and association process). This allows for cumulation of origin between Member States, signatory countries of the Stabilisation and Association Process and Turkey after the fulfillment of certain conditions. Integrated Information System (Integrated Information System - IIS) is installed at the Customs Administration in 2008. In early January 2009 the Customs Administration has initiated the implementation of the developed system for archiving and managing / monitoring the workflow. The aim of this project is to establish an electronic system for document management (Electronic Document Management System - eDMS) and material and financial

management of the Customs Administration. Already been carried out staff training for using new equipment (Biljanoska, 2009). The modernization of customs procedures involves the application of new technological equipment .

Regulatory reforms could be difficult and take time, especially in legal changes. Some reforms require difficult political balancing. External pressures are often necessary to realize significant legislative changes. In this sense, sometime a crisis could be seen as an opportunity. Historically, many reforms are prompted by recession or financial crisis. Regulatory reform tends to be implemented when the pressure increases. One reason may be the increase in competition as economies join the common market or trade agreements such as the European Union (EU) or North American Free Trade Agreement (NAFTA). The financial crisis and economic downturn has stronger incentives for implementation reforms. To restore an economy, one of the objectives in the agenda - is increasing the competitiveness of companies in an economy. The most of the reforms observed in 2008/09 which were aimed for reducing trade barriers, now are implemented.

Common to all successful and further concentrated reformers remain loyal to their vision for the realization of their goals and creating developed economies. Usually they are economies that aim to become a center of trade and technology at least in regions which are closer to their economy. It is appreciated technology to be available in all parts of the world. Thus it should be possible to use modern technology and in that way it should encourage and meets the criteria for appropriate use (including the necessary legal and regulatory system) in a way that will be introduced in countries that are interested.

It is obvious that replacing paperwork with electronic data doesn't change trade requests and needs between partners in international trade transactions. Basic functions should be fulfilled, and partners continue through Electronic Data Information (EDI), send and receive orders or declares goods for customs, place inventories and arrange payments. The implementation of e-business as a solution will lead to a variety of treatments and further simplification. For international information flows use in trade and transport, electronic data interchange will provide significant procedural rationalization and more efficient trade/transportation. That is the case with the domain of community systems which are largely based on the use of information technology including EDI. This requires changes in laws and regulations, such as allowing for replacement of traditional paper documents, customs declaration and so on. With e-mails or delivering such messages, have the same legal effect as the previous traditional paper documentation. Macedonia will best carry out the modernization of trade procedures through implementation of telecommunications and information technology.

5. METHODOLOGY

For the Republic of Macedonia, a small, open and import-dependent country, the implementation of trade facilitation measures is an important and necessary process for improving its position on the international trade scene and realizing higher rates of economic growth. Conducting research that assessed simplified trade facilitation measures and the benefits that economic operators should gain from their

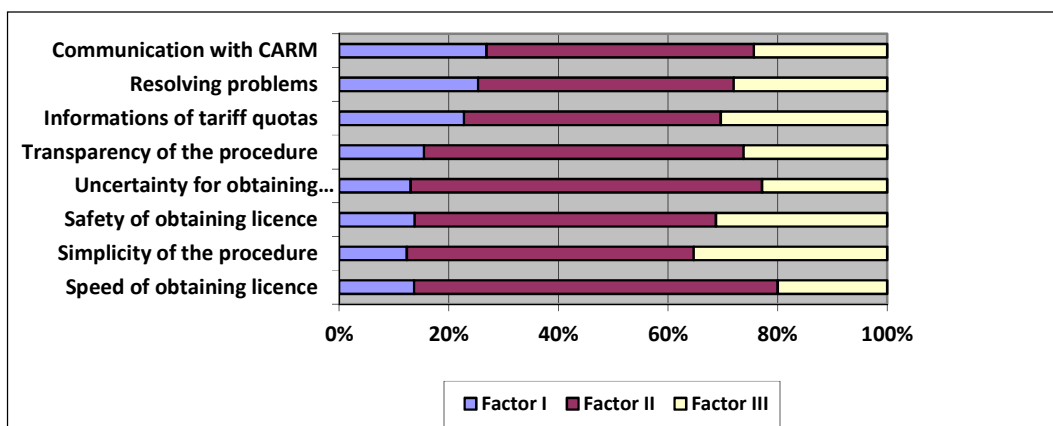
implementation has enabled further development and has been very important for the national economy, for the business community, and for the science of economics.

The objective of the research detailed in this paper was to assess and evaluate the efficiency of the trade facilitation measures undertaken by Custom Administration of Republic of Macedonia with the implementation of the EXIM and with the application of simplified customs procedures. On this basis, a questionnaire was delivered to Macedonian companies that were actively involved in international trade. The research was carried out in 2014 and the data gathered were for the year 2014. We applied simple test by processing with the SPSS.

6. ANALYSIS, RESULTS AND DISCUSSION

Companies were asked to evaluate the level of facilitation they received with the application of the single window. The respondents were asked to assess the following aspects: speed of the process of obtaining a license, savings in time, human resources, and finances, and general facilitation of their work. The second part of the questionnaire referred to the simplified customs procedures and the impact that EXIM which have on the overall facilitation of trading procedures. According the number of respondents, the direct costs were measured in terms of caused costs.

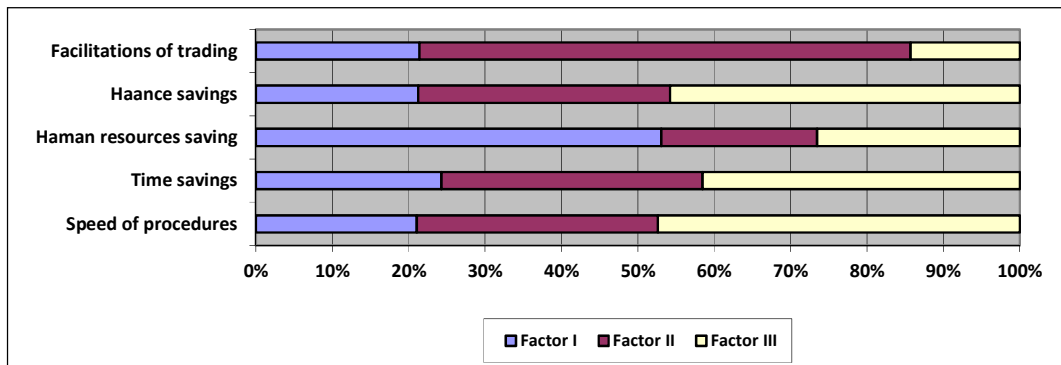
Figure 1. Evaluation of the characteristics of EXIM



Source: Authors estimation

As can be seen from Figure 1, the lowest ranks received were for the criteria of uncertainty for obtaining licenses and speed for resolving problems. The recommendation is that CARM should work on improving the ability to resolve problems more quickly and more efficiently, although in most cases they are technical problems such as issues with computer systems.

Figure 2. Evaluation of the impact EXIM

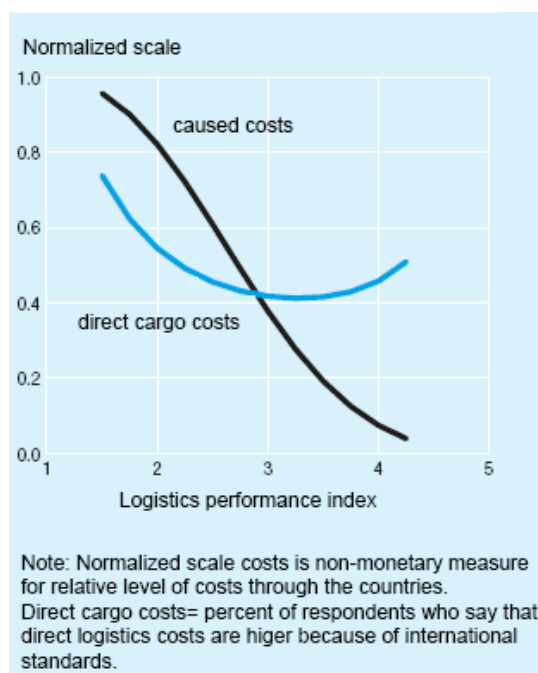


Source: Authors estimation

Figure 2 shows the ranks allocated to the impact that EXIM was having on the overall facilitation of trading procedures. The average ranks received on the satisfaction of the Macedonian companies indicated that the users of EXIM received greatest facilitation of the trading process with savings in time and human resources. These savings have also had a flow-on effect in time saved in the process of obtaining licenses for import, export and transit, and in the process of tariff quota allocation.

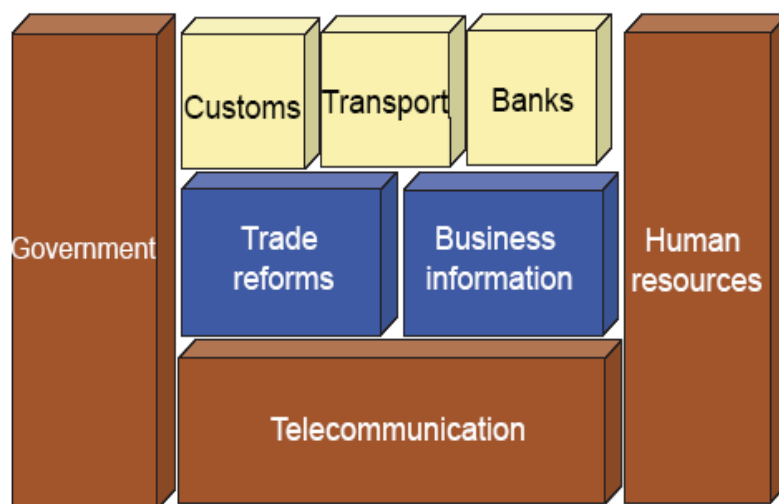
On the question about direct costs in terms of caused costs, the results showed that the caused costs are lower today (its were bigger in the time before EXIM). These differences determine the product competitiveness on international markets.

Figure 3. Normalized scale



Regarding the results it could be offer a model for Trade efficiency where the anchor is the functioning of EXIM.

Figure 4: Model for trade efficiency



From the model could be concluded that for trade efficiency in Macedonia is very important the functioning between Government, Customs, Transport, Banks, Trade reforms, business information, human resources and telecommunication. Subsequently, in circumstances where work is on the basis of standardized parameters, procedures, formalities, international best practices, the relevance is contribution

in the relief of the trade in all its aspects. Such telecommunication and information systems enable a couple of important performances like:

- *one submission of data and information*
- *single and synchronous processing of data and information*
- *one decision-for customs issuing and customs clearance.*

Once the decision is made, it will be uniformly interpreted as a single point of decision for the release of the cargo by Customs on the basis of decisions, if necessary, taken by ministers and agencies and the timely notification of customs. This allows for all of countries to secure their transactions, processes and decisions based on advanced telecommunications and electronic information infrastructure to comply with the principles of:

- *consistency*
- *simplicity*
- *transparency*
- *efficiency.*

Macedonia, example for small and open economy, should continue in leading free trade policies thus creating its own economic dynamism-nourishing source of freedom, opportunity and prosperity which are benefits for every citizen. It is important to show the power of principle and to be respected too. The tendency is to break the cycle of poverty and every country even the poor one, to start in creating their own dynamics through prosperity.

For Republic of Macedonia, the accelerated trend of trade liberalization, globally and regionally, puts the modernization of customs in hands of the most uses in form of virtuous circle in four steps :

- Increasing levels of trade liberalization becomes a reality worldwide reality through WTO and regional negotiations
- Trade facilitation encourages the need to invest after tariff barriers, so the investors are freer to seek business - friendly environment, rather than being forced to invest in countries with high tariff barriers
- Countries that tend to modernize their customs administrations, recognize the increasing flows of Foreign Direct Investment, in this way creating pressure on their trading partners to respond kindly.
- Improving the customs authorities provides further trade liberalization by ensuring that states will collect awards from trade negotiations. The high level of trade liberalization will increase competitive advantages of the modernization of customs.

5. CONCLUSION

Besides the modernization, implementation of procedures in the CARM requires further monitoring and new efforts to facilitate trade and transport activities. In that sense, we should constantly strengthen contacts with stakeholders. Namely, to allow timely reporting of changes in the legal system and

regulation, the customs regulations specifically for law enforcement at border crossings, and coordination among border agencies. Meanwhile, the management of the Customs Administration takes action on improving the relationship and responsibilities of customs and border police. In this context, here are efforts to provide necessary training to accept the changes and legal procedures by commercial operators and customs officers.

Trade liberalization through customs facilitation involves improving physical infrastructure and equipment at border crossings, mainly to prevent delays. So the necessary activities are upgrading with appropriate equipment for improving the quality of inspection and data processing at the main border stations, and in that sense communication equipment to be complement with national customs network. Here should be mentioned that enhancement of customs ethics is a major goal of CARM. CARM with the help of World Bank, International Monetary Fund (IMF) and the European Union Code of Conduct develops the basic principles of ethical behavior (as specified in the Arusha Declaration on Integrity in Customs), then communication with customers and the introduction of disciplinary procedures. CARM is the first in the region that implement a training program on ethical application of this module. This act reduces the opportunities for smuggling and corruption by customs staff. Improvement of the CARM means implementation of new legislation in line with EU legislation. This in turn implies adoption of simplified and standardized customs and inspection procedures. Also it is required for:

- development of human resources management for developing custom/border inspection expertise and to increase the integrity of the system;
- creating partnerships between border inspection agencies and commercial/industrial community to improve and coordinate operations, procedures and information exchange,
- adoption and implementation of audit and accounting processing to facilitate trade
- exchange of trade data.

It must be emphasized that it is especially important to improve private-public interactions. Limited or late consultation with the trade community contributes for congestion in contacts and interaction. It is expected that customs reform and reduction of trade costs contribute for increasing the quality of customs procedures, providing safer business environment and economic development, on the basis of lower prices of imports and competitive prices / services for export. Reduction of trade costs and increased reliability in the delivery is expected in the medium term, to lead, to a significant increase in trade volume, which would have used of existing excess production capacity (Roceska,2003). So the benefits would be:

- cheaper import goods / inputs for Macedonian consumers and industries
- better and safer business environment for private sector activities, mainly for trade activities of small and medium business entities,
- predictable and reliable economic setting for foreign companies
- facilitation of transit traffic
- protection against corruption and opportunities for smuggling,
- efforts to improve revenue collection by the Customs Administration of Macedonia and increased reduction of tariffs,
- permanent service of ICIS and better integrity of data,

- comply with EU standards and procedures.

Trade has economic importance, as reflected by reducing the waiting time at border crossings, and increased reliability in the delivery of goods. On competitive markets, these two elements affect the price of traded goods, thus stimulating trade. Increased reliability in the delivery facilitates integration between local companies into international production, and supply chains. These two elements should enable a significant increase in trade volume and profits will be realized by combining the use of policies and effects of substitution. With increased volume of imports domestic consumers benefit (including local companies relying on foreign inputs for their production), primarily through consumer surplus and create losses for some local producers whose products are replaced with those from the new import. Large volume of exports means usefulness for domestic manufacturers, which can be achieved by opening markets and reducing local consumer surplus by reducing the quantity of goods in the local market through an initial price.

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